

# COST *and* MANAGEMENT

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THE CANADIAN SOCIETY OF

COST ACCOUNTANTS & INDUSTRIAL ENGINEERS

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## .. CONTENTS ..



EDITORIAL .....	546
ACROSS THE SECRETARY'S DESK .....	547
LITERATURE RECEIVED .....	548
CANADIAN INDUSTRIAL ACTIVITY RISES .....	549
NEW MEMBERS .....	550
MISSING .....	550
UNEMPLOYMENT INSURANCE .....	551
CANADA AT WAR .....	558
SITUATIONS WANTED .....	563
THE UNEMPLOYMENT INSURANCE ACT AND ITS REGULA- TIONS .....	565



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# EDITORIAL

## Strikes and Inflation

Recently this writer had an opportunity to gauge public opinion throughout Canada from Toronto to Vancouver on the subject of the many industrial strikes and the matter of inflation.

True, this opinion is largely that only of men who are not involved in such strikes but they can and do endeavour to take a detached view of the situation.

The consensus of opinion seems to be that we are drifting into a very serious situation and that something ought to be done about it.

There have been, and still are, numerous strikes for higher basic wages despite the government decree that cost of living bonuses will meet the situation and they are becoming worse.

While it is very true that many workers have been and undoubtedly still are underpaid it is also a fact that the better paid workers are in many cases causing the trouble.

What these workers fail to appreciate is that wholesale increases in wages mean a further increase in the cost of living until the whole thing is apt to get out of hand.

The selling prices of many things in the luxury class have been raised very high in an effort to discourage luxury buying but luxury buying continues on a large scale.

The government has cut down the manufacture of many articles in this class also in an effort to cut down buying and to increase the war effort but so far these things have had little effect.

When purchasing power increases rapidly with a reduction in the supply of commodities, that means inflation and that is the serious situation we are facing.

Further, constant increases in wages while doing the worker no good in this respect mean a higher cost to our war effort and mean also increased taxes so that all in all those who strike for continued higher wages do not benefit at all but rather lose.

The writer does not mean to infer that there is no case for higher wages or for better working conditions and it is a fact that some industrialists have been extremely stupid in their attitude to workers but, by and large, this constant striking for higher wages means eventually inflation and higher taxes and in the end the workers will be worse off than they were before.

In this connection also there is a strong disposition in many quarters to request higher wages in order to counteract the many deductions being made from wages.

## ACROSS THE SECRETARY'S DESK

Could anything be more foolish and short-sighted? First, we have deductions for National Defence Tax, which is a tax to assist in our war effort; next we have deductions in many cases for a pension fund which is merely saving the employees' money. Then we have deductions for War Savings, which again is simply saving the employees' money. Now we have deductions for Unemployment Insurance which protects the worker against unemployment in the future.

One cannot have his cake and eat it and the fact we have to realize is that **WE ARE AT WAR** and such things as National Defence Tax and War Savings are very necessary if we are to win this war and ever have a real system of democracy.

As a people we have not yet realized that we cannot have Business as Usual in wartime nor can we expect to retain or increase our standard of living during a period such as the one through which we are passing.

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## Across the Secretary's Desk

I have just returned from a month's tour of Western Canada in the interests of our Society and also the Unemployment Insurance Act and can report a most successful tour.

The Vancouver Chapter has been re-organized, the Winnipeg Chapter will be re-organized this fall and the Edmonton Chapter is running along very smoothly and looks forward to a big increase in membership during the coming season. Further, there is real interest at Calgary and Regina and new chapters can be looked for in these two localities in the very near future.

Originally this trip started out as a holiday but motoring 6,800 miles and making five speeches in four weeks is not what one usually calls a holiday. However, I enjoyed it very much indeed, despite the extreme heat and really believe that the trip will do more good for our Society than anything we have yet done.

That goes also for the series of meetings on the Unemployment Insurance Act which we sponsored in Ontario and Montreal. In every case unusually large attendances were the order in the east and in some cases in the west and as a result we confidently expect a real increase in membership before the season is over.

On the western trip we had a good attendance at Winnipeg, Edmonton and Vancouver. In Edmonton the attendance almost reached 200 while, despite the heat, the attendances in Winnipeg and Vancouver were very good. In Regina and Calgary they were not so good. In Calgary we ran counter to the opening of the Calgary Stampede and one cannot buck a thing like that and get away with it. In Regina also, due to a misunderstanding, the attendance was down, but in every case we had most enjoyable meetings and not once was a meeting under a three-hour duration.

I met many old friends and made many new ones on this trip and the press and radio notices received were most excellent and should result in much good to the Society.

## COST AND MANAGEMENT

In the Ontario meetings the attendances were really something to marvel at, especially when one considers the extreme heat. In Toronto there were about 600 hundred present, in Hamilton, 350; St. Catharines, 165; Kitchener, 150; Windsor, 165; and in London, well over 100.

These attendances show a very real interest, not only in respect of the Unemployment Insurance Act but also in the work of our Society and on all hands we have received congratulations for our work in connection with this Act.

I believe that we have done a great deal of good for our members and member firms as well as for the government and many non-members.

Now that the holidays are over for most of us, we can settle down to the work in connection with the coming season in the anticipation of a most successful time and it is my earnest belief that this season will be the most momentous in our history. Certainly the signs point to a most successful fall and winter.

R. D.

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## Literature Received

### **The Audit of a Modern Costing System.**

Aust. Acct., May, 1941.

A most complete and interesting article of real interest to all Accountants.

### **What Type of a Cost Is Interest?**

Aust. Acct., May, 1941.

A short but interesting article on a subject which has been given far too little thought.

### **The Punched Card System of Accounting.**

Accountants' Magazine, May, 1941.

A very complete article dealing with a subject very much to the fore during these busy times.

### **Departmentalising the Factory.**

C.A. in Australia, May, 1941.

A short but interesting article from the pen of an old friend, in Gordon Lowe.

### **Some Management Problems Involved in Defence Contracts.**

#### **Procedure Under Defence Contracts.**

#### **Accounting for Defence Contracts.**

N.A.C.A. Bulletin, June, 15.

Three fine articles dealing with Management and Accounting procedures in connection with government contracts.

### **Contribution Theory of Accounting.**

Business Management, June, 1941.

A short article of particular interest to Accountants engaged in the retail store business.

## COST AND MANAGEMENT

### Standard Costs in the Clothing Industry.

The Accountants' Journal, June, 1941.

An interesting and complete article of interest particularly to those engaged in this specific industry.

### Introducing Standard Costs.

Federal Accountant, June, 1941.

An interesting article which should be of real interest to all students of Cost Accounting.

### Pitfalls in Standard Costing.

Australia Accountant, June, 1941.

Another interesting article which should be read by all students of Cost Accounting.

### Cost Accounting as an Auditing Device.

The Student, July, 1941.

An unusual article which views a Cost Accounting system from a new angle.

### An Application of Standard Costs in the Steel Industry.

N.A.C.A., July 1, 1941.

### The Use of Standard Costs in the Canning Industry.

N.A.C.A., July 1, 1941.

Two articles which describe the use of standards in Cost Accounting as distinct from the generally accepted Standard Costs, in two widely diverse industries.

### Problems of Inventory Pricing.

Journal of Accountancy, August, 1941.

A most complete and interesting article dealing with this everlasting problem.

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## Canadian Industrial Activity Rises Higher

(From La Salle Business Bulletin)

The upward trend in business throughout Canada has continued at about the same rate of increase as in each of the preceding months of this year. The index of industrial activity prepared by the Canadian Bank of Commerce has risen to a level of 38 per cent. above that of a year ago. It is 55 per cent. above the average in 1937, which was the best year since 1929.

The percentage of factory capacity utilized has risen from 88 to 100. Industry is operating at about 10 per cent. overtime. Pay rolls are 44 per cent. higher than they were last year. Manufacturing has increased much more than trade, for total factory wages have risen 51 per cent., while those of trade gained only 35 per cent.

All lines of industry except clothing advanced last month, and even in this industry the decline was very small. Expansion has taken place in the production of iron and steel, especially among those plants making the heavier steel products. Activity among them was two and one-half times that of a year ago, and for the entire industry it was double that of last year. The output of machinery castings and forgings was very large.

## NEW MEMBERS

Wholesale prices have been steadily rising, but for many products they are not much higher than they were a year ago. Some of the largest increases have been in imported products, such as rubber, tea, rice, and jute. Prices of farm products have been relatively stable for several months.

Exports have risen considerably, and are now close to 30 per cent. higher than a year ago. The exports of farm products have been larger than average and shipments of pork increased 38 per cent.

Contracts awarded for new construction are about double those of last year. Many new industrial plants equipped to produce war materials have come into operation, and more are being added constantly. They will help keep industrial activity at a high level.

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## New Members

### Toronto Chapter.

G. H. Fraser, The Glidden Co., Ltd.

D. H. Bates, National Trust Company.

### Vancouver Chapter.

J. E. Priestlay, Canada Western Cordage Co. Ltd.

### Windsor Chapter.

J. A. Kirkwood, G. Tate Easton Ltd.

N. McDowell, Ford Motor Co. of Canada Ltd.

### Montreal Chapter.

T. W. McLean, Aluminum Co. of Canada Ltd., Arvida, Que.

J. Brunelle, L. Villeneuve & Cie Ltee, Montreal.

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## Missing

The ominous word missing has been posted against the name of Pilot Officer Charles Dale Hewson, of the Royal Canadian Air Force, after an operational flight over enemy territory. Charlie Hewson may not be known to the vast majority of our members but he was well known in the Hamilton and Niagara Chapters, being a popular student member of the latter chapter. Enlisting about a year ago as an A.C. 2 in the R.C.A.F., he gained his half wing as an Observer and was gazetted a Pilot Officer immediately after. He went overseas early this year and it was known that he had made several flights over enemy territory as an Observer in a Bomber crew. It is of course probable that he is now a prisoner in Germany and while this is not a brilliant prospect we cling to this belief because Charlie is a friend of this writer who was largely instrumental in obtaining for him his start as a Cost Accountant. A likeable young fellow, a keen student, always anxious to learn and with a brilliant career ahead, he chose, as most young Englishmen would choose, to serve his country in her hour of need. We recall the words of Prime Minister Churchill, who said, "Never in the history of human conflict, have so many owed so much to so few", and we extend to his wife, now in Guelph, and his mother in England, our sincere hope that the period of uncertainty, doubt and fear may shortly be removed and that very soon we shall see the name, P.O. Charles Dale Hewson, previously reported missing, now reported a prisoner of war.

## Unemployment Insurance

An Address before a Public Meeting Sponsored by the Montreal Chapter,  
Canadian Society of Cost Accountants and Industrial Engineers, June 18.

By P. C. ELDERKIN, C.A.

Unemployment Insurance Commission.

It is a great pleasure to speak to this representative body of business men in respect of the Unemployment Insurance Act, 1940, which will come into effect on the first of July of this year.

I would like, first, to refer to certain criticisms which have been made in respect of this scheme.

It has been said in some uninformed quarters that this was a hastily conceived piece of legislation passed for the purposes of satisfying labour and of accumulating funds for the benefit of the Government of Canada. On the contrary, the subject of Unemployment Insurance is one which has been constantly studied by the Department of Labour for over twenty years. In 1919, a Royal Commission on Industrial Relations made a recommendation in favour of a national system of unemployment insurance, which was unanimously endorsed by a National Industrial Conference which was attended by over 200 representatives of industry and labour. In 1935, the Parliament of Canada adopted the "Unemployment and Social Insurance Act" which was disallowed in 1937 by the Judicial Committee of the Privy Council. In 1940, all of the Provincial Governments of the Dominion agreed that the Parliament of Canada should be invested with the power to deal with this subject by an amendment to the British North America Act.

The present Act was drawn up and passed only after years of study of similar Acts in force in other parts of the world and of employment conditions in Canada.

You have probably read that it has been said that the rates of contributions and benefits are not actuarially sound. If by this it is meant that they are not actuarially perfect, there can be no denial. After consideration of experience in Great Britain, the Gregory Commission on Unemployment Insurance stated:

"In considering what measures must be taken to maintain a self-supporting insurance scheme, the first question is the level of unemployment on which the finances are based. In this matter, we have reached the definite opinion, in the light of past experience, that it is impossible, satisfactorily, to base the current finances of a scheme of insurance against unemployment upon a theoretical estimate of the average rate of unemployment over a period of years. As we have stated it is possible to budget on the empirical basis for unemployment a short time ahead but it is impossible to predict for any considerable period ahead the general course which unemployment will take."

A. D. Watson, Chief Actuary of the Department of Insurance of the Dominion of Canada, in his report in respect of the present Act, states:

"Even with all industries included in our scheme, the incidence of unemployment varies so widely from year to year, and from period to

## COST AND MANAGEMENT

period, that it is not practicable to determine rates of contribution in advance which will with any certainty prove adequate over a long period unless indeed, they should be deliberately set excessively high. The economic wisdom of "deliberately fixing rates too high for the purpose of making sure of their sufficiency must be doubtful and the justification on any grounds, far from manifest."

At a later place in this report, Mr. Watson states:

"The objective kept in view was to determine rates sufficient to provide the benefits in the draft Bill for a period such as the 11 years ended June 1, 1931, assuming that the scheme had attained the status of full operation before the commencement of that period. Having regard for the employment history since July 1st, 1931, it can hardly be held that this objective is either unreasonably high or unreasonably low."

From the above remarks it will be apparent to you that it is recognized that there cannot be any actuarial perfection in the establishment of the rates of contributions or benefits. They have been established by competent experts with a view to the past history of employment in this country and provision has been made in the Act, that they are to be reviewed annually by an Advisory Committee and a Report is to be submitted to the Governor-in-Council on the financial position of the Fund.

Another criticism which has been offered is that in times of war the Government of this country should not incur the additional expense of organizing and administering the scheme, and of contributing to the Fund. You are, no doubt, aware that the total of contributions from employers and employees are expected to be approximately equal, and the Government is to contribute an amount equivalent to 1/5 of the aggregate credits made from time to time as aforesaid, and in addition, will pay the cost of administration. It is estimated that approximately \$60,000,000.00 will be received annually from employers and employees, and that the annual cost of administration of the Act will be approximately \$5,000,000.00. The monies received on behalf of the Fund are to be placed to the credit of a special account in the Consolidated Revenue Fund and credits in such Fund, not currently required, are to be invested in obligations of, or guaranteed by, the Government of Canada. This will provide a large sum of money for investment in Dominion of Canada Bonds, and for the prosecution of the war.

It has been stated that since the money is to be invested in Dominion of Canada Bonds, that there will not be available current funds to pay benefits when the need arises. This would appear to infer that Dominion of Canada Bonds, will not be negotiable securities which may be sold, or upon which loans may be obtained. The subscriptions received from all the large insurance companies of Canada, the conversions made by insurance companies which are incorporated outside of Canada, and the subscriptions received from individuals as well as corporations throughout Canada, in respect of the Victory Loan which has just been issued, would definitely indicate that this is far from being the opinion of the people of this country.

Yet another criticism has been offered with respect to the commencement of this insurance fund in war time, in that there will be a very large demand made upon it immediately after the cessation of war. There is no



## UNEMPLOYMENT INSURANCE

doubt that this is true, but it is no reason against its inception during these times, rather it is a definite reason for its commencement.

The Minister of Labour, in introducing this Act in Parliament emphasized the advisability of adopting this Bill at the present time, as follows:

"To sum up this measure it is necessary at this time to anticipate and in some degree counteract, the probable dislocation which will follow demobilization and the cessation of war work. If it is to be effective in accomplishing this purpose, it should be placed in operation at the earliest possible moment. The employment services should be taken over and made to function at maximum efficiency: the personnel to make the plan effective should be set up and given the opportunity to function smoothly. We should begin, at once, to establish the necessary fund to create a back-log, when the readjustments which will inevitably accompany peace, require to be made."

It has been stated by such authorities as Sir Arthur Steele Maitland, Mr. Lloyd George and others that in their opinion, Unemployment Insurance prevented the outbreak of a revolution in Great Britain at the end of the First World War.

Unemployment Insurance under this Act is far different from anything in the nature of Dole or Relief. The worker, who has contributed to the Fund, will receive insurance benefits when he becomes unemployed through no fault of his own, as a right established by such contributions and not as a form of Relief. The benefits are directly in proportion to the number and amount of contributions made by the insured person. They are not meant to provide a means by which a person can remain in idleness for an extended period of time, but serve as a cushion for the first shock of unemployment.

The principle of basing benefit payments on the number and amount of contributions paid by the worker, has two very distinct advantages:

- (a) It encourages the worker to continue in employment to the best of his ability in order that a greater number of benefits may be accumulated.
- (b) It provides for the receipt of benefits in some relationship to the standard of living which the worker has enjoyed while employed.

Although most of you, I am sure, have seen the pamphlet "Information to Employers" issued by the Commission, I would like to again outline some information in respect of benefits.

To receive insurance benefits, the worker must fulfill four statutory conditions:

1. The payment of not less than 180 daily contributions while in insurable employment in the 2 years immediately preceding the claim for benefit.
2. Proof that he was unemployed on every day in respect of which he makes claim for benefit.
3. Proof that he is capable of work, and available for work. If he is unable to work due to illness or incapacity, he is not entitled to benefit.
4. Proof that he has not refused to attend a course of instruction if required to do so by the Commission.

In addition to the above statutory conditions, he may be disqualified from receiving benefit for:

## COST AND MANAGEMENT

- (a) Loss of work due to misconduct, voluntary quit, or a labour dispute in which he is directly participating or which he is assisting to finance.
- (b) Unwillingness to accept suitable employment.
- (c) Receipt of an old-age pension.
- (d) Being the inmate of a public institution.
- (e) Earning less than 90c per day while in employment.

The number of daily benefits payable to a qualified person is equal to the difference between (a)  $\frac{1}{5}$  the number of days for which contributions have been paid in respect of him in a period of 5 years preceding his claim, and (b)  $\frac{1}{3}$  of the number of days, if any, for which benefits have been paid to him in a period of three years preceding his claim.

The weekly rate of benefit payable is 34 times the average weekly contribution paid by the employed person while in employment during the two years immediately preceding the claim, except in the case of persons with dependents, when the rate is 40 times the average weekly contribution.

The daily rate of benefit is considered to be  $\frac{1}{6}$  the weekly rate of benefit and the "Average Weekly Contribution" mentioned above is considered to mean (a) the amount contributed divided by (b) the number of days divided by six.

After the insured person has exhausted his first benefit year, all future benefits are reduced by past claims thus providing another incentive for the assured to maintain employment to the best of his ability. After the employee has exhausted his benefits for any benefit year he must work and contribute to the Fund, 60 days' contributions, before he is again eligible for benefit.

In addition to the pamphlet "Information for Employers" which you have received, the Commission has issued regulations dealing with contributions, which may be obtained upon application. There are many special cases which arise and upon which regulations may not have been issued. The Commission, I know, will be pleased to receive inquiries in respect of any particular or peculiar case, and if necessary to make such regulations as are expedient.

As all regulations must be passed by the Commission and approved by Order-in-Council, I am, of course, not in a position to answer questions not covered in the Act or by regulations. Subject to this qualification, I shall be very pleased to answer any questions you may have, and if there are some problems which are not specifically covered, to submit them to the Commission for their consideration.

1. Q.—An employee receiving an hourly rate which, under normal working hours, the annual remuneration would be less than the \$2,000.00 but, due to overtime under present conditions may exceed the limit.

A.—While it probably would be desirable to fix an hourly or daily scale of wages which would bring the employee within or without the Act, it does not appear that the Commission has authority to make such a general ruling. Under Regulation No. 2, the employee is insured where his remuneration cannot be estimated with any reasonable degree of certainty and if his actual earnings did not exceed \$2,000.00 for the immediately preceding year. In any case

## UNEMPLOYMENT INSURANCE

of doubt as to the interpretation of this ruling, the employer and employee may submit a joint proposal to the Commission for decision.

2. Q.—Normal working week is six days but, under present circumstances, occasions arise in which, for limited periods of time, the actual working week is 7 days.

A.—The basis for calculating insurance contributions is always a 6 day week. The remuneration received by the employee would be computed as being received for 6 days—and not 7—and the rate would be established accordingly. (Section 17 of the Act).

3. Q.—Employees missing one or two days for sickness. Is any contribution payable?

A.—If wages are paid entirely at employer's discretion for periods of sickness, then it is a matter for the employer to decide whether a contribution is to be paid or not. If the wages are payable under a Contract of Service, contributions are payable but for a maximum of a continuous period of one month.

4. Q.—Are permanent employees of churches considered to be in insurable employment?

A.—Although no regulation has been issued in this respect, it is my opinion that churches might be considered to be Charitable Institutions not carried on for the purpose of gain and, as such, the employees would not be in insurable employment.

5. Q.—An employee is entitled to one week's vacation with pay, but accepts an extra week's pay as compensation for loss of his vacation. In other words, he receives two weeks' pay for one week's work.

A.—This would probably be considered to be received as pay for the week in which he received the double amount, and if this gave rise to earnings over the maximum he would contribute in the maximum bracken No. 7.

It should be made clear that where an employee is earning less than a rate of \$2,000.00 per annum he must contribute even if in some pay periods his remuneration exceeds the limit rate for that pay period.

6. Q.—Employee's actual salary per week during the year comes below the limit but during the last few years he has received a bonus at the end of the season sufficiently large to put him above the \$2,000.00 limit.

A.—If the bonus is not part of the Contract of Service but is at the discretion of the employer it is not considered as part of the earnings. (Employer's 10 (a).)

If bonus is part of the Contract of Service Computation must be made in accordance with Section 10 of Instructions to Employers, and where an agreement is reached between employer and employee as to the average remuneration it may be accepted as a basis for payment of contributions. However, if the employer is reasonably certain that as a result of this bonus under Contract of Service the employee will receive over \$2,000.00 during the year, the employee is not insurable.

## COST AND MANAGEMENT

7. Q.—Where cost of living bonus is paid quarterly, what method may be used for computation?
- A.—In computing the amount of remuneration to be received by the employee, it is in order to base the computation on the wages paid, plus the cost of living bonus paid during the prior quarter. Of course, if the cost of living bonus is not part of the Contract of Service, but is at the discretion of the employer, it is not considered to be part of the remuneration of the employee. (Employer's Section 10 (b).)
8. Q.—An employee is paid salary, plus commission based on sales.
- A.—The amount of commissions paid must be considered earnings and if they cannot be determined easily the employer must arrive at an average.
- An option is provided in this case whereby, if the employee is paid a weekly or semi-monthly salary, and his commissions are paid monthly, the salary may be considered payment on account and the stamps may be withheld from his book until his total earnings for the month, including commission, are known and paid, at which time the total will be averaged over the period and the book will be stamped accordingly.
9. Q.—Employee is paid entirely on commission basis and responsible for the whole or part of travelling expenses.
- A.—In this case an agreement must be reached between the employer and employee as to the amount of travelling expenses involved; the remainder is remuneration. In most cases, the basis to be used for calculating earnings will be that as required for purposes of Income Tax Returns. If the commission agent represents more than one employer and his employment under no one of such employers is that on which he is mainly dependent for his livelihood he is exempt from contributions.
10. Q.—An employee—married—independent means, works on an hourly basis. On dismissal from job, may refuse another job and, therefore, be unable to collect benefits.
- A.—Contribution is based on remuneration only and has no reference to any outside income.
- The employee is insurable unless receiving a certificate of exemption as "a person who habitually works for less than an ordinary working day".
11. Q.—Employee draws salary, including transportation. At end of year will get a share of profits.
- A.—Allowance for transportation should be estimated and separated from remuneration. If share of profits is part of "Contract of Service" it must be included as remuneration, for purposes of computing contribution. In order to facilitate this computation it would appear to be in order to use the share of profits received in the prior year as the factor to be added to the salary for the present year.
12. Q.—Employees receiving nominal salaries as apprentices and still dependent on parents.
- A.—Outside income or assistance does not affect remuneration under

## UNEMPLOYMENT INSURANCE

the Act. Contributions are payable in respect of such employees, and if they are receiving a rate of salary below \$5.40 per week or \$23.40 per month, the entire contribution is to be paid by the employer, under Class "O". Apprenticeship is particularly mentioned in the first schedule of the Act as being insurable employment.

13. Q.—Piece workers whose total earnings are determined when lots are completed at the end of four or five weeks.

A.—These are covered by third paragraph of Section 10 of Information to Employers. Quote. If the employee receives more than \$38.49 per week under this basis, but the employer is reasonably certain that he will receive less than \$2,000.00 within the year, the employee is insurable.

14. Q.—Employee earns \$15.00 for three days' work in factory in which the normal working week is 5 days. What contribution does he pay.

A.—If the employee works for less than full working week he pays on the basis of total wages earned, divided by the number of days worked. In such cases, the full working week is to be considered 6 days whether that is the rule in the particular industry or not.

In the case cited above he will pay on the basis of \$30.00 per week, namely Class No. 7.

It is only when an employee works the full normal working week of the factory that his total remuneration is to be considered as for 6 days; no matter how many days he has actually worked.

15. Q.—Employees paid on a two weeks basis. In some cases employees work full number of days, plus overtime; in other cases employees may work less than full working week.

A.—Where employees work full working time, with or without overtime, the pay may be distributed on an average over the pay period. Where the employee works less than full working time, the pay must be distributed over the actual days worked.

Where an employee habitually works for less than a full working week, under circumstances which may from time to time require that he work more than the normal number of working hours in a day, for purposes of computation, the number of days worked may be ascertained by dividing the number of hours actually worked in the pay period by the number of hours normally worked in his employment, providing that contributions shall not be paid for any period for more than the number of days for which provision is made in his insurance book for such pay period.

16. Q.—Where payments are made on a two-weekly or bi-monthly period, is it permissible to stamp the employee's book every two weeks, or bi-monthly, in cases where a meter machine is used.

A.—Yes, providing he has worked full working period. Otherwise must be done by days worked in each week.

17. Q.—In the Building Trade it is necessary to send men out in charge of the erection of materials on jobs and for such men to hire local help in order to carry out the work necessary.

What arrangements can be made to have the contributions recorded in the books of these hired men?

## COST AND MANAGEMENT

- A.—As all employees of the Building Trades are insurable, the necessary contribution stamps must be placed in their insurance books. Accordingly, some arrangement must be made either with the foreman or some other person to do this.

## Canada at War

An Address before the Annual Meeting of Canadian Society of  
Cost Accountants and Industrial Engineers

By HENRY BORDEN, K.C.

General Counsel, Department of Munitions and Supply.

I wish, Mr. Chairman, to thank you for your kind remarks and to thank you, Mr. McGibbon, for the very generous manner in which you have introduced me to this gathering. I feel very humble in speaking to such a group as I have learned to hold Cost Accountants and Industrial Engineers in great respect. To a large measure this is due to my association in Ottawa with those of your profession who are engaged in work in connection with the Department of Munitions and Supply. They have a very difficult job, and they are doing it exceedingly well.

I have chosen the title "Canada at War" for the remarks which I intend to make to-day. When I view this microphone before me and realize that we are in the midst of an appeal by the Government for subscriptions to the Victory Loan, this subject is, perhaps, not inappropriate.

To my mind, this is not merely a titanic struggle between navies, armies and air forces—it is a bitter conflict of ideas, of philosophies, of ways of life, each diametrically opposed to the other, a struggle to the death between democracy and totalitarianism in which the stakes are the very minds and souls of mankind.

We are at war in defense of our ideas. This is no war of aggrandizement so far as the democracies are concerned. We started on the defensive to uphold those attributes of democracy so clearly expressed not long ago by Mr. Roosevelt—freedom of speech, freedom of religion, freedom from want and freedom from fear. Our immediate aim is to stop an invasion by totalitarianism. In doing so, we preserve democracy and its attributes for our children and our children's children.

We have a Canadian Army Corp, Canadian destroyers, and Canadian air squadrons participating in Britain's defense. Our armed forces, in the three services, aggregate a quarter of a million men on active service and many thousands more in the reserve army.

Ships have been added to the navy—fifteen when war broke out and now one hundred and eighty. Military camps have been built across the country and many units of the British Commonwealth Air Training plan are now in operation. This has meant clearing of sites, construction projects and building of airports in this country on a scale never dreamt of before.

For us Canadians, Canada's direct war effort during this fiscal year will mean payments of bills to the tune of approximately \$1,450,000,000.

Furthermore, Canada is a vital and major source of supply for Britain

## CANADA AT WAR

in this common struggle. I shall speak in more detail of what is being done in that regard in a minute.

Before doing so I want to give the lie to those who say, without knowledge of the facts, that Canada gets paid in cash on the barrel for all supplies for United Kingdom account. For this present fiscal year, Britain's deficit with Canada is estimated at \$1,150,000,000. To meet this we must purchase Canadian securities held in Britain or accumulate sterling balances. To my simple mind, that seems more like putting it on the cuff than getting cash over the barrel.

During this fiscal year we contemplate shipping to Great Britain munitions of war and supplies to a value of \$1,500,000,000.

This direct war effort and indirect war effort in the form of financial assistance to Great Britain during this fiscal year will require approximately 44% of our national income, estimated at \$5,950,000,000.

Is it any wonder that the Government finds it necessary to appeal to the people for a loan of \$600,000,000?

Presumably, you expect from me, however, some enlightenment as to the activities of that octopus—the Department of Munitions and Supply, sometimes referred to as that "cumbrous, amorphous and overburdened organization".

Well—it certainly is a war baby, but it is out of its swaddling clothes. Whether it will recognize its parentage when it reaches adolescence I dare not prophesy. The Department was born on April 9, 1940. The total value of contracts awarded by it and its predecessors to March 31, 1941, is \$841,640,000, excluding orders on United Kingdom account. Orders on United Kingdom account to March 31, 1941, aggregate \$467,000,000.

As at March 31, 1941, commitments for capital account for plant extensions on behalf of the United Kingdom and Canada aggregate \$383,000,000; increased since that date to \$450,000,000. The grand total of contracts and orders placed on Canadian and United Kingdom account to March 31, 1941, including commitments under the Plant Extension Programme is approximately \$1,525,000,000.

The average rate at which contracts are awarded is 270 per working day. In September, 1940, this average was 418 per working day.

The average number of tenders opened each day is 262.

The average number of orders-in-council prepared each day is 22.

Forms, letterheads, etc., are printed at the rate of 12,000 per day.

There are now over 1500 employees in Ottawa. By the fall of this year, the Government-owned companies and management fee companies will be employing about 85,000.

The Department is responsible for providing adequate supplies and has certain controllers for this purpose—oil, power, steel, lumber, machine tools, metals, motor vehicles and ship repair. They form a Board known as the War Industries Control Board. This Board must be distinguished from the Wartime Prices and Trade Board responsible to the Minister of Labour and which has administrators such as the Sugar Administrator, the Wool Administrator, etc.

Early in the organization of the Department, it was realized that some of its activities could more efficiently be carried on by decentralizing the work of the Department. Furthermore, it was realized that, if the tre-

## COST AND MANAGEMENT

mendous task which the Department had before it was to be accomplished with a reasonable measure of success, it was essential to enlist the services of all Canadian business men who could spare the time from their own businesses even though such businesses were directly engaged in the production of necessary supplies. Accordingly, several companies were formed, wholly owned by the Crown represented by the Minister of Munitions and Supply. There are now twelve or thirteen of these companies some of which simply purchase and hold reserve stocks of essential commodities, some of which themselves carry on manufacturing operations and others which are engaged in the task of administering and supervising contracts made between Canadian manufacturers and the Crown.

The Explosives and Chemical Programme which this country is embarked upon is a tremendous one. The capital cost is in excess of \$100,000,000, and many of these plants are already in production. Some of them are as large as any plants of a similar kind in the British Empire, and a good many of these explosives have never before been produced in Canada. It is estimated that in 1941 the production of explosives will be as great as the production of explosives in Canada during the whole of the last war. One plant is the only source in the British Empire for a certain chemical and is the first of its kind ever constructed anywhere. It was constructed and equipped in record time, and although it was anticipated that many months of adjustment would be required before the product could be secured, I am pleased to be able to tell you that from the day that the switch was turned the plant has produced a perfect product.

There will ultimately be three large ammunition filling plants, costing approximately \$30,000,000. You will recall that in the last war there was practically no filling of shells in Canada. This shell filling will require the training of thousands of men and women. I am told that the filling of the shells is a relatively simple matter, but the filling and assembling of fuses, primers, gainers and all the units to make a complete round is very complicated. I could not better illustrate my point in this regard than by telling you that in a 25-pounder shell there are approximately 120 bits and pieces.

We are producing many different kinds of shell—anti-aircraft, high explosive, howitzer, etc., and in Small Arms Ammunition a wonderful job is being done.

I cannot give you the annual production of Small Arms Ammunition. It would fill you with pride to know, but it is a carefully guarded secret. I can say this, however, that for many months our annual rate of production has been many millions of rounds, and when full productive capacity is reached by the end of this year, thousands of rounds of Small Arms Ammunition will be pouring from factories in Canada every minute of every hour of every day, including Sundays. The quality of Small Arms Ammunition produced in Canada is 90% Red Label Ammunition. That means that it is ammunition of a quality necessary for use in automatic machine guns.

We manufacture to-day many of the latest types of guns for both military and naval use and, we, as you know, manufacture machine guns and automatics. The gun programme which has been undertaken in this country is a tremendous one. In the last war and prior to the outbreak of this war there were no guns produced in this country whatsoever. One of the Government-owned companies, to which I have already referred, is manu-



## CANADA AT WAR

facturing the most modern rifle for the infantry. This factory will be in production later this year on a very substantial quantity basis.

The much discussed Bren gun programme is considerably ahead of schedule and its quality is absolutely wonderful. We will have in Canada before many months have passed the greatest production of any automatic gun plant in the world.

We are going to manufacture in Canada anti-aircraft guns of more than one type and of the most modern design. Already barrels for these guns are in production and within a few months the entire gun equipment, breech mechanism and gun mountings and platforms will be in production. When compared with the length of time ordinarily taken for plants to get into production of this type of equipment, the Canadian performance, I can assure you, is outstanding and one which should fill you with pride.

We are also going to manufacture in Canada anti-tank guns and field guns and trench mortars. Some of these are in production now and others will be before many months have passed. From present indications all scheduled delivery promises will be fulfilled. In fact, we have in production or under way sixteen or seventeen types of guns and twelve or fourteen different types of mountings, and with one single exception every promise with respect to delivery dates has been met or bettered. Furthermore, with respect to one type of gun, we promised a certain quantity (in the hundreds) before the end of 1941. After careful consideration word was sent to the United Kingdom that we were prepared to double that quantity and deliver the doubled quantity before the end of 1941, and this without the outlay of any further capital moneys.

Do not be misled by thinking that these guns and mountings and other components are simply rolling out of our factories and shipped. The inspection tests are most rigid to insure that every unit to be used by our fighting services will be perfect. You might think that as these units had never before been produced in Canada there would be many rejects and much difficulty before finally getting a unit which would meet all tests and specifications. I tell you that the reports which we have obtained of these tests from the technical experts are amazing, and here a tribute should be paid to the steel industry of this country for the quality of the steel and forgings being manufactured for these guns and components.

You might think that these guns and component parts being produced in Canada are at an excessive cost because of the fact that our manufacturers have had no experience. Perhaps I have told you enough to indicate to you that Canadian manufacturers are adaptable, venturesome and efficient, but I will tell you further that with respect to one component part for an anti-aircraft gun the Department was quoted, f.o.b. a certain plant in the United Kingdom, substantially in excess of \$200. It was quoted, f.o.b. a plant in the United States \$189 in U.S. funds. These components are now in production in Canada, costing the Government \$171.68 in Canadian dollars, and we have every hope that this cost will be further reduced as time goes on.

Automotive equipment, Universal carriers, ships, bombs, aircraft, tanks, and many other essential weapons of war are being produced or the plants for their manufacture will very shortly be in production.

What I have already said will give you some idea of what our country

## COST AND MANAGEMENT

is doing, but is that enough? We must face facts. Hopeful thinking is disastrous—an ineffective soporific. We have suffered crushing reverses. We have retreated here—been forced back there. Heroism alone will not win this war.

Have we taken stock of the situation? As a country I am frank to tell you that I do not believe we have. Canadians do not yet realize how grave the situation is, how grim the outlook before final victory comes. Unconsciously our people have been lulled into a state of lethargy. Perhaps that is understandable. No bombs have fallen in Canada. Our homes have not been flattened. Our wives and children have not been maimed or killed. But are they in danger?

Do you realize that the Director of Aircraft Production in the Department of Munitions and Supply recently returned to Canada by bomber from England, arriving in Montreal for dinner on the day on which he had breakfast in England? And do you realize further that that bomber when it landed in Montreal had sufficient gasoline to fly back to England?

Fatalism is not a characteristic of the British race, nor is defeatism. Fortitude is the virtue of adversity, and was it ever in human history better illustrated than in the marvellous display of courage and morale being given by those 40,000,000 Britishers in the United Kingdom?

No, Gentlemen, a tremendous task lies before us all—an "all out" effort by everyone. The road to victory is lined with thorns. We shall come through it and right will triumph over might, justice will triumph over lawlessness, but "time is of the essence". In the words of that great leader of the democracies, "There is not a week, nor a day, nor an hour, nor a minute to be lost."

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## SITUATIONS WANTED

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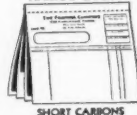
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## The Unemployment Insurance Act and Its Regulations

By W. I. HETHERINGTON, C.A.

Before Public Meetings at Toronto, St. Catharines, Hamilton, Kitchener and Windsor

Sponsored by the Canadian Society of Cost Accountants and Industrial Engineers

Mr. Chairman, Ladies and Gentlemen:

I wish to express, on behalf of the Unemployment Insurance Commission, our deep appreciation of the work which the Canadian Society of Cost Accountants and Industrial Engineers has undertaken in organizing these meetings, in order that its members, and the employers in the various cities, might become better acquainted with the facts pertaining to Unemployment Insurance. It is indeed a pleasure for me to be with you, and I sincerely hope that when the evening is over, those present will feel better able to cope with the problems confronting them regarding the operation of the Act.

### History

In dealing with the history of the Unemployment Insurance Commission, I do not propose to take up the time of this gathering with facts and dates pertaining to other countries, except to say that practically every country in Europe has had a scheme of compulsory Unemployment Insurance. The scheme in Great Britain has been operating since 1911, and our Canadian Act is based primarily on the British system.

In 1935, an Unemployment Insurance Act was passed in Canada, but was later ruled ultra vires by the Privy Council, under the British North America Act. On June 25th, 1940, the Federal Government, having obtained the consent of the nine Provinces, asked His Majesty, the King, to amend the British North America Act, in order to make possible the passing of an Unemployment Insurance Act. The necessary change in the British North America Act was made, and in July, 1940, a new Act was introduced to the Canadian House, and it became law on August 7th, 1940.

In patterning our Canadian Act after the British setup, we must remember that we are obtaining the benefit of 30 years' experience of one of the most conservative and intelligent countries in the world. We should feel proud to know that when the war is over, and the inevitable post war period commences, that we will be allied in the work of alleviating the expected unemployment situation with the same grand old country with whom we are now allied in the defence of Democracy, because only under a Democratic Government would Unemployment Insurance have any significance whatsoever.

### Administration

The Act is being administered by a Commission, under which both employer and employee have equal representation, and this representation of employer and employee has been stressed throughout the entire setup of the scheme.

## COST AND MANAGEMENT

The Commissioners at present are:—Acting Chief Commissioner, Mr. Arthur MacNamara, Associate Deputy Minister of Labour, who brings to the Commission a wealth of experience in labour and welfare matters in Western Canada; the employee's representative is Mr. R. J. Tallon, of Ottawa, who was formerly Secretary-Treasurer of the Canadian Trades and Labour Congress, and the employers are represented by Mr. A. M. Mitchell, a well-known Canadian employer in Montreal.

An Unemployment Insurance Advisory Committee is also being appointed to advise concerning changes, modifications and improvements in the plan, and at the head of this Committee is Dr. MacKintosh, of Queen's University. The other members of the Committee will be representatives of employers and employees. You will note that again the representatives of both factions are taking part in the administration.

### **Investment of Funds**

The responsibility of investing the reserves of the Unemployment Insurance Fund rests with an Investment Committee, composed of one member nominated by the Minister of Labour; one member nominated by the Minister of Finance, and the Governor of the Bank of Canada, or, in the event of his absence or incapacity, the Deputy Governor or the Acting Governor for the time being. Under Section 78 of the Act, it is specified that the credits in the funds not currently required for the purpose of this Act, shall, as provided in this section, be invested by the Commission in obligations of or guaranteed by the Government of Canada, consequently the contributions will be available almost immediately for the war effort. We anticipate contributions of approximately a million a week, which explains why we are so anxious to have the Act take effect as soon as possible.

### **Administration Costs**

There is one point that should be stressed at this particular time when dealing with investments, and that is that not one cent of the funds contributed by employer or employee will be used to defray costs of administering the Act. The Government, in addition to contributing to the fund itself, absorbs all administration costs. In this way there can be no criticism from employees or employers to the effect that they are contributing their hard earned money to help pay the salaries of Civil servants.

### **Number Affected**

It is anticipated that approximately 120,000 Canadian employers and 2,500,000 employees will be affected, and will co-operate with the Government in building up a reserve fund for the protection of those unfortunate employees, who through no fault of their own, may find themselves out of employment. The importance of this social legislation cannot be over-emphasized, especially in times of severe depression, and British leaders have credited Unemployment Insurance with averting a revolution in that country in the years of 1921 and 1922, and any social legislation that has been able to prove its worth in such a pronounced manner, is certainly worth a place in our Canadian affairs.

If, at any time, you gentlemen are prone to criticize and to complain because of the additional work which we know will be placed upon you, particularly those of you who are in the Accounting profession, it is only asked that you try and see your extra work as a slight contribution to the welfare of the entire country. It is so easy at all times to lose the proper

## THE UNEMPLOYMENT INSURANCE ACT AND ITS REGULATIONS

perspective in a matter of this sort, simply because we personally may be inconvenienced, and so hard to remember that the work which may seem unnecessary on our part, may be of extreme benefit, not only to some small group of individuals, but to the betterment of this great country of which we are all so proud to be citizens.

### Contributions—Tripartite

In the Canadian Act, the British Tripartite system was adopted, whereby employer, employee and the Government share in contributing to the fund. The employer and employee contributions have been worked out on a basis which has been designed so that on the whole, the employee and employer contributions will be approximately equal, and to this total the Dominion Government adds 20%. You will notice, in the schedule of rates with which you are no doubt all familiar, that the employee rate varies from the low paid worker to the higher paid employee, much more greatly than does the rate of employer contributions. The explanation for this is that throughout the entire Act, an attempt was made to remove any incentive whereby an unscrupulous employer might be induced to reduce wages, or to lay off any of his employees. I might just mention at this point, that in most States in the United States, an employer employing less than 8 workers, does not come under the Unemployment Insurance Scheme. We fully realize that the Act will be more difficult to administer in the case of a small employer than of a large one, but the system of eliminating the small employer might have the effect of inducing him to reduce his staff. For example, if he had 8 employees who were insurable, and by laying off one he could save the contribution payable in respect of the other 7, he might quite conceivably decide that the 7 could, by working overtime, accomplish the same amount of work. Therefore, it was felt that in the interests of employees in general, all employers, regardless of the fact that they may employ only one person, should be covered.

You will notice also, in the case of an employee earning less than 90c a day, or under 16 years of age, that the employer is called upon to pay the entire contribution of the employee and himself. This combined contribution totals 27c per week, which is as high a rate as any employer contribution shown in the schedule. Therefore, there is no incentive for an employer to hire cheap labour, in order to save unemployment contributions, nor is there an incentive for him to hire child labour.

The Department of Labour was primarily responsible for the introduction of the Act, and representatives of employees sat in on decisions regarding contributions and so forth, so that the interests of the employees have been, in my estimation at least, well guarded.

Coming back to the Tri-partite aspect of the scheme, whereby employer, employee and the Government contribute, let me say that the employer has a distinct interest in building up the fund in order that the relief rolls will be lighter in a time of depression, with consequent lessening of taxation. The Government has a definite interest from a financial standpoint, in that were an employee to become unemployed, with no benefit rights accruing, he might become a charge of the State. Therefore, these two, the employer and Government, although neither one can be held entirely responsible for unemployment, each have a distinct interest in seeing that the worker is taken care of in his periods of unemployment. The employee is probably

## COST AND MANAGEMENT

the one most affected by depression, and in order to maintain his feeling of independence, he should help to build up his own benefit rights. The receiving of insurance benefits paid from a fund which the employee himself has helped to build, is an entirely different matter from accepting relief, because he is merely getting back his own invested money. It is a great deal different to go to your bank, as it were, and withdraw your own funds, than it is to go to someone and ask for a handout.

The sense of security which a worker will feel in knowing that he has to his credit a sum of money on which he can draw if the need arises, will tend to make him a more contented worker, a better type of individual, and accordingly a greater asset to his country. It will have its effect not only on the present generation, but it must necessarily have its effect on the workers' children, and after all, in a new country such as ours with the vast natural resources, the enormous amount of tillable soil and the courage of our forefathers, there is no reason why we should not attempt to make the lives of our fellow citizens, and their children, a happier one.

### Stamp System

The system of paying contributions by the placing of stamps on employees' booklets may be criticized from the angle that it takes considerable time, but do not overlook the fact that once the stamp is placed in the book, there is no further report of any kind to be made. As some of you may have heard me say before, we are very proud in this department of the fact that we believe we are unique in being the only Government Department, engaged in the collection of revenue, which does not require any report whatsoever. We are proud of this, and we feel we have justification for our pride. In view of the remarks which I have heard from time to time, I would think that any Department not requiring a report should have the whole-hearted support of all accountants.

We realize that there is a considerable amount of work involved in the handling of stamps, but it is felt that the end justifies the means, and although other systems in use elsewhere may be considered as less cumbersome, we are perfectly willing to debate the point. For example, in the United States the employer pays the entire contribution at a rate of, in most cases, 3% of the wages paid. This 3% is indeed a round figure, but under the tri-partite scheme, if 3% of wages were required, it would necessitate contribution of 1.5% from the employer and 1.5% from the employee.

Under the Stamp system, if the fund is found to be building up at a greater rate than is held necessary, a slight reduction could be made in the denomination of the stamps, without upsetting the scheme, but under the straight percentage system, it would be necessary to make a reduction of say 1% which would reduce the contributions by 33 1-3%, and this would not seem feasible. If an attempt were made to reduce it by a smaller figure than an even 1%, you might run into such figures as 1.426 or some other equally unwieldy fraction for employee and a like fraction for employer, so that this does not seem as simple as at first thought.

In Great Britain a flat rate is payable on behalf of all employees. This, too, seems very simple on the face of it, but in the 1935 Canadian Act, this flat rate idea was introduced, based on ages and sex, and by the time the classifications were complete, it was found there were 8 contribution classes in that system as well.



## THE UNEMPLOYMENT INSURANCE ACT AND ITS REGULATIONS

Because of the fact that it is necessary to restrict benefits in order that they will not exceed wages earned, and consequently tend to cause an employee to think that he is better off sitting under a tree than working, a limit of 80% of normal wage was set. You can see, in trying to maintain this 80% limitation, a great amount of wage reporting would be necessary, and we again come back to our original argument that by placing the stamps in the books, employers' reporting is eliminated.

### **Meter Machines**

There has been prepared by a Meter Machine Company, a machine for making meter impressions in the insurance book. This machine has been authorized for use by the Commission, and no doubt salesmen from the company have contacted a large number of firms represented here. I do not intend, by any means, to put on a sales talk on behalf of the meter system, but I feel that at this point I should mention that such a meter exists, for the benefit of those who are not aware of same, and permit for its use may be obtained by applying directly to the Post Office.

### **Bulk Payments**

In addition to the two systems outlined, it is possible, in the case of employers with more than 500 employees, to make arrangements with the Commission for payment of contributions under what is known as the bulk method. Under this method the employer must obtain books for his employees in the usual way, but instead of placing either adhesive stamps or meter impression in the book, he may record employees' contributions on an individual employees' record, and at the end of the year, the individual record will be attached to the insurance book and returned to the Commission.

With regard to the payment of contributions under this method, payment shall be made once a month, and the first monthly payment shall be made in advance on an estimated basis, the second month on actual payment of the first month and so on each subsequent month, adjustment to be made as soon as possible after the end of the fiscal year. The form to be attached to the monthly contribution has been drawn up by the Commission, and in this statement total contributions are divided into classes. The total of the contribution statement must, of course, agree with the payroll records of the employer.

In the event of an employee leaving before the end of the fiscal year, his statement must be given to him, showing complete contributions to the date of leaving, certified by a responsible official of the company.

This method, although it may appeal to some employers, is not being generally used, and a number of the larger employers in the City of Toronto, with whom I have been dealing, and who have studied all the systems, have decided in favour of either the adhesive stamp or the meter machine.

### **Benefits**

Benefits under the Canadian Act bear a direct relationship to contributions. Single persons receive 34 times and married persons 40 times their average contribution made during the preceding two years. In this way, the employee who has earned better than average wages, and consequently has paid slightly higher contributions, is entitled to a correspondingly better rate of benefit, so that, as far as possible, an employee receives benefit which helps him to maintain the standard of living to which he has been accus-

## COST AND MANAGEMENT

tomed. Under this system, the benefit does not need to drop below the rate of wage of the lowest paid worker.

The flat rate may be all right in Great Britain, where the country is more compact, and there is not such a great variation in the schedule of wages, but in this country, an employee in some small outlying point might live on only a fraction of what it would cost to maintain a home in the City of Toronto.

The payment of benefits does not depend on the need of the claimant, and no test of means is made. In other words, simply because an employee has been thrifty enough to save up a few dollars, this does not bar him from receiving benefits. The only test to which he is subjected is what we call the job test. In other words, if a man is willing to go to work, and no work is available, he is then considered for benefits. He may take a boarder into his house, he may cultivate a large plot of ground in order to provide vegetables, or he may help himself in any other way possible, and he will be encouraged to do so. His right to benefit depends on his contributions, and not his actual requirements. There is, all the way through, an inducement for an employee to save toward providing his own financial independence.

The duration of benefits is based on one-fifth of the number of days for which contribution has been made during the preceding 5 years, that is if an employee contributes every day for 5 years, he will have built up benefit rights from which he may draw for one complete year. Should he draw benefits and then go back to work, and again become unemployed, he would receive benefits for one-fifth the number of days for which he has drawn benefits.

### Employment Service

There is one point which I would like to mention at this time, and that is the function of the Employment Service which has been created in conjunction with the Unemployment Insurance.

Frequently the question is asked, what is the essential connection between Unemployment Insurance and an Employment Service? I shall endeavour to supply the answer to this question. The payment of unemployment insurance benefits pre-supposes that the person to receive the benefit is out of work and cannot get work. In order to determine definitely whether the benefit-applicant is necessarily unemployed, some test must be applied. That test is provided by the Employment Service. Thus the Employment Service becomes the means of applying the "Job Test" to persons claiming to be unemployed. The employment service, therefore, has a definite tie-up with Unemployment Insurance, and we feel that a National system of Employment Service will serve the interests of the employer more efficiently than any system of individual Provincial organizations, no matter how capably the individual offices are operated.

The officials in charge of the administration of the employment service have pledged themselves to supply the best man available to an employer at all times, and not to send a man to a job simply because he is obtaining benefit from the Unemployment Insurance Commission. I feel that the employment service can be of great benefit to the employers and employees in the Dominion of Canada, and it is asked that the employers avail themselves of this service when additional help is required.

## THE UNEMPLOYMENT INSURANCE ACT AND ITS REGULATIONS

### Actual Workings

I have attempted to give you an idea of the background of the Act, the pertinent facts regarding contributions and benefits. I will now outline the actual operations necessary on behalf of the employer. I realize that a large number of you gentlemen will have completed the forms which I will mention, but I would ask that you bear with me for the benefit of those who are not familiar with the various forms, books, etc.

No doubt, all the employers present, or represented here, have completed the application for books. If you have not, I would ask that you do so at once, because the first of July is fast approaching, at which time the Act actually commences to function, and it will facilitate the work in your office, and the work in the Commission offices, if you comply with this regulation at once.

On receipt of the application card, a number is assigned to each employer. This number is placed on each insurance book covered by his application. The insurance books then are mailed, together with literature which includes a copy of an "Employee's Booklet" for each employee in his employ, and a booklet of "Information for Employers", which is we believe, quite comprehensive, and all that we ask is that the employer peruse it carefully, and I believe he will find the answer to most of his problems therein. Included with the parcel of books is a license, together with receipt to be signed and returned to us, and a shipping notice for the employer's files, setting out the number of books delivered, together with their serial numbers.

The insurance book itself consists of 3 main parts, the front cover, number U.I.C. 409, which is to be completed by the employer, signed by the employee, and returned to the Commission, and this cover then becomes the permanent record of that employee, in the Commission office. Incidentally, the number in the right hand corner allotted to an employee becomes his registered number as long as he is an insured employee in the Dominion of Canada. It does not matter whether he remains say in Ontario where the book has been issued to him, or moves to another place; he still retains his number. The reason for this is that the Bureau of Statistics wishes to compile figures on the mobility of Labour, that is they wish to know, for example, how many men move from Ontario to British Columbia, because this information is valuable in working out details of the employment service.

I thought it would be advisable to explain carefully the reason why this particular information was required, because I am fully aware that some accountants, probably all of them, are inclined to feel that a great deal of detailed information, asked for by Government Departments, is entirely unnecessary. I am firmly convinced in my own mind that we have asked for the very minimum of information required, and I can assure you that we have a valid and logical purpose in asking each question which it is necessary for you to answer in any of the forms supplied.

I would draw your attention to the payroll occupation asked for on this form, and would explain that this also is information required by the Employment Service.

As I have already pointed out, the Employment Service will endeavour to place an unemployed person in gainful employment, and in order to do

## COST AND MANAGEMENT

so, the Commission must be aware of the particular type of work for which the individual is best suited. We do not wish you to give some technical occupation, because a person working in some specialized industry might have a designation that would not be understood by anyone not familiar with that industry. If, for example, you are engaged in the business of making railway car wheels, and you employ a carpenter around the plant to do repair work, you should show him as a carpenter, rather than as an employee of a moulding shop.

We will now go on to the consideration of the back cover of the book, known as Form U.I.C. 411. This form becomes the employee's record, and is his receipt showing that he is an insured person. It is as important to him as, for example, his National Registration Certificate, and you should impress upon the employees the importance of retaining this slip.

Having disposed then of the front and back covers, we now come to the book proper. The custody of this insurance book is the direct responsibility of the employer. He must complete form U.I.C. 407, and the book then becomes a part of his accounting record, and shall be kept in his possession until either the employee leaves his employment or until the book has expired at March 31st.

At the end of the Government's fiscal year, March 31st, the books in the employers' possession shall be returned to the local office of the Commission, and new books shall be issued for the ensuing year.

The stamps, which will be on sale at Post Offices, and obtainable on requisition by each employer on quotation of his employer's license number, are the size of the spaces shown in the book, and are rouletted into six sections, so the sections may be easily separated in order to stamp for broken periods of the week.

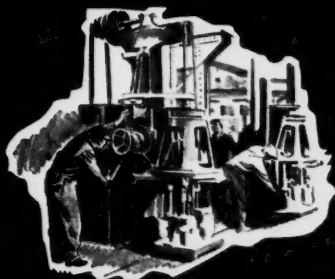
### Conclusion

I have endeavoured to give you as comprehensive a picture of the Unemployment Scheme as possible, within the time at my disposal, and I purposely avoided going into a great deal of detail, because although I might give detailed examples of individual cases, which might apply to one or more of the audience, they might have absolutely no interest for the other members present.

We are fully aware that problems will arise from time to time, as many of them have already arisen, and I might just say that in Great Britain during the last year for which we have a complete record, 60,000 letters were written to the Commission, asking for rulings with regard to persons covered under the Act. From that figure, you will have an idea of the number with which we may have to deal, although we are naturally hoping that Canadian employers will not pick up as many controversial questions as their fellow Britons appear to be capable of doing.

I would just say that we will endeavour to give the public the best service of which we are capable, and to do it as pleasantly and in as congenial a manner as possible, and all I ask in conclusion is that you people and others with whom we come in contact, will extend to us all the co-operation possible.

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